

THE FLOWERS FRAMEWORK

for Restoring Prosperity

BY STATE TREASURER CHIP FLOWERS



Ideas that better mankind do not belong to individuals, they belong to the People. It is in this spirit that I offer for the People's review and acceptance a framework aimed at restoring prosperity to Delaware through the state Treasurer's Office.

At this point in the history of our great state, we are facing numerous economic challenges. For many families, business closings, layoffs, foreclosures, reduced wages and rising bills are daily reminders of our fragile economy. The People have vested their trust and confidence in those individuals desiring to hold public office. However, this trust and confidence is not without its limits, as the People have grown weary of our condition and require new ideas to fuel economic growth in our state. The condition in which we find ourselves requires us to change our approach to governing. We must rely less on political ideology and more on the sound principles put forth by our nation's founding fathers, specifically Thomas Jefferson and Alexander Hamilton.

Similar to the introductory comments to Jefferson's *Notes on the State of Virginia*, the contents of this framework are "all treated imperfectly." However, we must not allow this imperfection to prevent us from offering innovative ideas to improve the lives of our fellow Delawareans. While my opponents and critics may seek to use this framework to their political advantage, these ideas are meant to serve as the starting point for discussing the important role that our state Treasurer's Office should have in shaping our economic destiny. We must plot a new course for a brighter future by ensuring that our state Treasurer's Office is best positioned to assist Delaware in competing in our global economy.

The Flowers Framework is divided simply into four parts: fiscal responsibility, economic growth and stimulating businesses, planning and forecasting and revamping our financial agencies. Each part is no greater or lesser in importance than its counterparts, but when offered together, the sum surpasses the strength of each standing alone.

With this in mind, let us begin our discussion with fiscal responsibility.

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Information is the currency of Democracy.
— Thomas Jefferson



FISCAL RESPONSIBILITY

In times of economic prosperity or recession, fiscal responsibility must serve as the cornerstone of Delaware's financial policies. Investing and spending taxpayer money in a safe, yet progressive manner is essential to restoring prosperity. However, fiscal responsibility requires more than merely managing our state finances pursuant to established guidelines. Rather, fiscal responsibility means (i) ensuring that state funds are invested and spent in a manner that will benefit our businesses and taxpayers and (ii) being at the forefront of innovative financial practices that will encourage economic growth. To achieve a new level of fiscal responsibility, the Flowers Framework proposes:

Implementing a State Financial Early Warning System.

Since economic downturns can occur at any time, having a formal financial early warning system is essential. Using information obtained from federal agencies, the state Departments of Finance and Labor, the Delaware Economic and Financial Advisory Council (DEFAC) and internal forecasts, the Treasurer's Office will be responsible for implementing a state financial early warning system to notify state agencies when key financial indicators trend downward. This early warning would serve as an indicator to state agencies to initiate cost-cutting measures, generating savings that will reduce the impact of the downturn on the state's budget.

Implementing Best Practice Policies for Issuance of State Payments.

Properly managing funds is an important part of fiscal responsibility. To save resources and reduce costs associated with state reimbursements, vendor payments and other expenditures, the Treasurer's Office will implement best practices policies relating to the issuance of state payments. Policies relating to the use of state credit cards, check issuance and other payment methods will be based upon those practices used in the global financial community that accomplish significant savings while maintaining high levels of service. Accountability, efficiency and practicality will serve as the key drivers in developing fiscal practices for our state Treasurer's Office.

Establishing Strict Ethical Standards Relating to Marketing Relationships with Vendors.

Like all other state departments and agencies, the Treasurer's Office must implement and abide by ethical standards when undertaking marketing relationships with vendors. Financial institutions receiving state funds through the Treasurer's Office will be required to abide by strict ethical standards to ensure that funds expended by financial institutions on behalf of the state are promoting the target programs, not the promotion of the Treasurer or any other political objective. We must ensure that marketing funds are used in an ethical manner and inappropriate relationships between financial institutions and the Treasurer are not developed at the expense of taxpayers.

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ECONOMIC GROWTH AND STIMULATING BUSINESSES

Economic growth is an important component in restoring prosperity. With the state experiencing major layoffs, large budget deficits and rising unemployment, Delawareans need innovative ideas that will create jobs and opportunities. While our agricultural, banking, chemical, financial and legal sectors remain an essential part of our economic recovery, emerging markets and industries are instrumental to our state's economic future. The Treasurer's Office must advance a robust agenda that not only encourages economic growth but also stimulates new businesses and industries. The Flowers Framework proposes:

Creating an Office of Finance and Investments (OFI).

To achieve economic growth and job creation in the 21st century, our state Treasurer's Office must have a strong presence in shaping financial and investment products that stimulate economic growth. Under the direction of the Treasurer, the Office of Finance and Investments will be responsible for developing stimulative short- and long-range investment policies. This office will also be responsible for managing non-pension-related investments created by the General Assembly for economic development purposes (including, but not limited to, the Strategic Fund). Furthermore, this office will be staffed by qualified personnel now assigned to other state agencies. OFI will interact directly with public and private sector leaders to advance investment positions that maintain the state's "AAA" bond rating.

Creating a State "Smart Purchasing Plan" for Small Businesses.

Under the Flowers Framework, the Treasurer's Office will develop a "Smart Purchasing Plan" that will increase our state's economic growth by targeting spending toward small businesses in Delaware. The plan would include parameters that would allow small-business purchase levels to increase during times of recession in order to preserve and create jobs in the state. Additionally, a cost-benefit analysis would be undertaken prior to "bundling" major state contracts to ensure that such bundling would not have a significant detrimental impact on the state revenue stream by reducing the number of small businesses (including women- and minority-owned businesses) in the applicable market.

Standardizing and Reducing Vendor Payment Time.

Another option available to the state Treasurer's Office to stimulate businesses is to standardize and reduce the time required to pay local vendors. First, the state would standardize the time for payment of in-state and out-state vendors. In non-recession times, the office would strive to pay vendors in thirty (30) days, regardless of the vendor's location. Upon issuance of a notice under the proposed state financial early warning system, the Treasurer's Office would seek to reduce the payment time for in-state vendors to fifteen (15) days to encourage in-state spending to stimulate economic growth. By accelerating payments, the state can stimulate growth through an infusion of capital without incurring debt.

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Creating the Delaware Investment Fund.

To assist small- and medium-size businesses and to encourage an entrepreneurial spirit, the Delaware Investment Fund will be created to invest and/or loan funds to businesses that are willing to create jobs in Delaware (particularly, start-up ventures). Financed by public and private funds, this fund would be securitized by the assets within its portfolio and advance capital to a broad range of industries. The fund would be managed by OFI under investment guidelines developed in accordance with the parameters established by the General Assembly. Based upon market conditions, financing and securitization requirements would be established in alignment with the state's economic policy. The fund would diversify its assets to limit significant risk exposure and allow the public opportunities to invest in the fund.

Creating the Delaware "Hometown" Tax Credit.

To combat the increasing number of highly qualified Delaware college graduates seeking employment outside of the state, the Flowers Framework recommends the creation of a tax credit for businesses hiring Delaware residents who have earned both a high school diploma and a college degree (associate's or higher) in Delaware. To qualify, small and medium-size businesses would have to demonstrate a net increase in jobs resulting from the hiring and pay graduates at least the minimum salary established by OFI. The value of the credit would be based upon anticipated state revenue. During times of recession, this credit could be extended to large businesses. Through this credit, the Treasurer's Office can help ensure Delawareans benefit from the state's significant investment in our education system.

Creating the "Excellence in Delaware" Tax Credit.

Similar to the Delaware Hometown Tax Credit, the Excellence in Delaware Tax Credit seeks to attract the best available highly-skilled labor by targeting graduates who earn advanced degrees from highly-renowned international and national colleges and universities. This credit would be available to businesses incorporated in Delaware that have at least five full-time employees in the state. Other requirements would be similar to those established for the Hometown Tax Credit.

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PLANNING AND FORECASTING

Good planning and forecasting precede good government. Though our General Assembly is in session for half the calendar year, financial planning and forecasting is a year-round obligation of all elected officials, particularly the State Treasurer. To restore prosperity to the First State, we need a strategy for ongoing planning and forecasting to evaluate proposals and initiatives that impact our economic livelihood. The Flowers Framework proposes:

Creating the Office of Economic Policy (OEP).

To become competitive in today's global economy, ideas to enhance the state government's financial position should be developed and promoted continually, not just while the General Assembly is in session. An Office of Economic Policy, created within the Treasurer's Office and staffed by qualified personnel now assigned to other state agencies, would research, develop and promote innovative policies that would enhance the state's position in the global economy. OEP analysts will provide economic guidance with respect to each county and such analysis will be nonpartisan and independent.

Strengthening Our Relationship with the U.S. Treasury Department and the Federal Reserve.

The ability to influence economic policymakers on major decisions impacting Delaware is a necessary component to restore prosperity. Under the Flowers Framework, the Treasurer's Office will meet regularly with members of the U.S. Treasury Department, the Federal Reserve and other key government agencies to discuss programs and policies that could impact the fiscal health of our state. Representatives of Delaware's business and academic community would be invited to these meetings. Having a voice with key national policymakers will assist in protecting and advocating for industries crucial for the state's economic success.

Working Cooperatively with DEFAC in Interpreting Economic Forecast Data and Analysis.

The Treasurer's Office must work cooperatively with DEFAC in interpreting economic forecast data and analysis to provide guidance to governmental agencies and the private sector with respect to the state's economic health. Sharing information, integrating analysis and coordinating financial data are among the activities that would be undertaken by the Treasurer's Office and DEFAC in this regard. Under the Flowers Framework, economic information provided to key policymakers to plan for our future will be analyzed by the state's leading financial agencies.

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REVAMPING OUR FINANCIAL AGENCIES

For Delaware to return to prosperity, the roles of each of our state financial agencies must be revamped to accommodate the unique nature of the 21st century global economy. Currently, the responsibility of managing our state revenues is shared among the Treasurer's Office, the Department of Finance, the Economic Development Office, the Office of Management and Budget, the Controller General and the Delaware Economic and Financial Advisory Council. Each of these offices and commissions will have a critical role in restoring prosperity — but all must be realigned to act in a coordinated manner to increase economic growth. The Flowers Framework proposes:

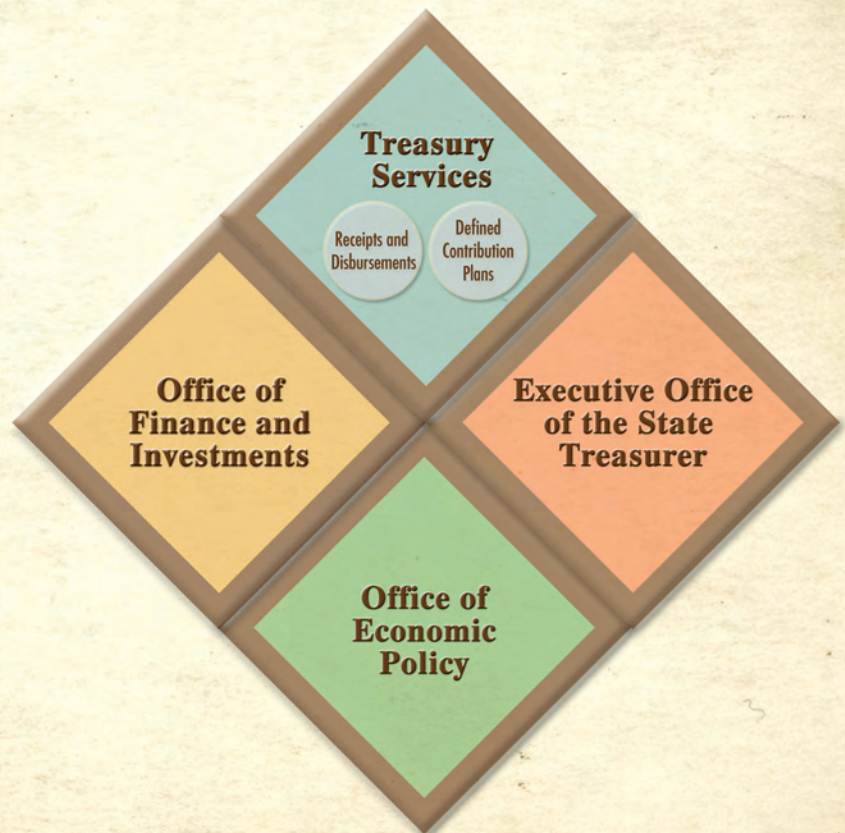
Revamping the State Treasurer's Office.

Transforming the Treasurer's Office from a traditional 20th century traditional model to a 21st century finance and economic development model is a key priority. (See chart). The current model must be revamped to ensure an environment of fiscal responsibility while fostering and promoting economic growth and job creation. The current services of the Treasurer's Office, which primarily encompasses payments and processing services, will be combined into the Office of Treasury Services. As shown in the chart, the new Treasurer's Office would provide equal levels of support to finance and investments, economic policy, treasury services and purchasing. This new model would position the State Treasurer's Office to become an integral part of the international, state and local financial communities — thus giving Delaware input in key decisions shaping our economic destiny.

CURRENT OFFICE



PROPOSED OFFICE



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Increasing International and Domestic Presence of the State Treasurer's Office.

It is critical for our state to have a voice in the economic and financial discussions that impact our future. Without a voice, Delaware is a mere pawn in the larger economic chess game. The Treasurer's Office will work with international and domestic financial organizations to provide policy positions and guidance on issues that have a significant economic impact in Delaware.

Recommending Creation of Delaware Financial Agencies Realignment Task Force.

From time to time, governments must realign the roles and responsibilities of major departments and agencies to better serve their constituents. While our state has numerous financial agencies that serve important functions, it is necessary to realign those functions when conditions shift in a dramatic manner. The Flowers Framework recommends creating a bipartisan task force that would propose a strategic realignment of the state's financial departments and agencies. This task force would work with all the financial departments and agencies to strengthen the state's position in attracting jobs and promoting sound economic policies without significant duplication of efforts and resources.



CONCLUSION

The framework is hereby concluded, but our discussion shall continue...



ABOUT CHIP FLOWERS



In January 2011, Chipman “Chip” Flowers Jr., was sworn in as Delaware’s State Treasurer. Chip brings a fresh perspective on the financial challenges facing Delaware, along with the necessary experience, education and values to restore prosperity to the First State.

Chip first came to Delaware in 1987, when he was 12 years old. He was a “military brat” — his father was an Army officer and his mother was a teacher and guidance counselor for the Department of Defense Dependent Schools — who flew with his family to and from overseas assignments via Dover Air Force Base for more than 11 years. Those numerous short stays convinced Chip that Delaware was the place he would call home.

After majoring in economics with dual minors in international relations and psychology at the University of Pennsylvania, Chip headed to Georgetown University, where he earned both a law degree and a Master’s in Business Administration, focusing on corporate strategy and mergers and acquisitions. While Chip attended Georgetown, he worked at the A. Philip Randolph Institute (the nation’s oldest African-American labor association), the Congressional Joint Economic Committee and the White House Office of Political Affairs under President Bill Clinton.

After completing his work at the White House, Chip worked as a mergers and acquisitions attorney at the Wilmington office of Skadden, Arps, Slate, Meagher & Flom, LLP, and served as chairman of the Multicultural Judges & Lawyers Section of the Delaware State Bar Association. In 2004, Chip was chosen as a Delaware delegate to the Democratic National Convention. During this time, Chip was selected to serve as Chief Democratic Analyst for Delaware nightly news, Delaware Tonight – a position he held until WHYY-TV recently eliminated the program.

Chip then studied at the John F. Kennedy School of Government at Harvard University, earning a Master’s in Public Administration. While at Harvard, Chip earned the prestigious Don K. Price Award – the highest award given in the program.

In 2006, he founded the Flowers Counsel Group, LLC, which specializes in mergers and acquisitions and procurement law, advising businesses on contractual agreements for major purchases. Under his leadership, the firm grew steadily, becoming one of the state’s leading corporate law firms in providing corporate purchasing services for global and Fortune 500 clients.

A resident of Middletown, Chip has taken on leadership roles in a range of civic organizations, primarily focusing on public policy issues that impact all three counties and the city of Wilmington. A supporter of military families and dependents, he is a strong advocate for fiscal discipline, economic growth, high quality education, vibrant art institutions and affordable health care for Delawareans.

Chip’s commitment to knowledge, truth and integrity as his guiding principles ensures that the state Treasurer’s Office will develop policy solutions that will better the lives of all Delawareans.